

The Banking System of Australia.

The banking system of Australia was organized in some respects like the Scottish system prior to the crisis of 1893, but was not managed with the conservatism and good judgment which have been the characteristics of Scotch banking. The difficulties developed in the crisis of 1893, were not, however, the result of any excess of note issues, but of the error common in new countries,—excessive speculation in land and the locking up of assets in investments which did not prove immediately productive. The original Bank Act of Victoria, passed in 1864, was general in its provisions, required no independent audit of bank accounts, and imposed no definite limit upon note issues. The demand for funds for speculation in land led to heavy loans to the speculators, but some of the shrewder bankers evidently doubted their legality and secured in 1888 an important amendment of the banking law. A commission was appointed, with the avowed purpose of revising the law, and the act which resulted from their deliberations purported to impose new safeguards by requiring a paid-up capital of ;£125,000 for banks issuing notes and by making the notes a first charge upon the assets.¹ These reforms, however, were apparently only the cloak for the new provision that, * * Any incorporated banking company may, notwithstanding anything to the contrary contained in any act in force in the Colony of Victoria relating to such banks, advance or lend money on the security of lands, houses, ships, or pledges of merchandise/

Banking in Australia had been carried to its extreme limits, and millions of English and Scotch capital were attracted to the country by its rapid development and by the fact that the people were of the same blood and presumably of the same temper in business matters as the lenders. The

¹ Mr. Mac Fie, *London Bankers' Magazine* January, 1892, LIII, 68, 69. Notes constituted an unlimited liability in Queensland, and by the Act of 1874 in New South Wales.—*London Bankers' Magazine* August, 1894, LVIII, 154.